



FmHA AN No. 2298 (1924)

May 29, 1991

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTN: Farmer Programs Chiefs

#### PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to provide guidance on the development of realistic long range planning with reference to projected agricultural commodity prices and related expenses. These prices and costs will be utilized for development of plans of operation to support a loan deferral decision under 1951-S. This information will also be needed when implementing conservation practices to bring the farm in compliance with the provisions found in Exhibit M of FmHA Instruction 1940-G. In order to provide a sound basis for long term projects and requests for assistance, a realistic long range farm plan is necessary.

#### COMPARISON WITH PREVIOUS AN

This AN replaces AN 2174 (1924), dated November 5, 1990, because the projected milk prices have been revised. The information in this AN is necessary for development of farm budgets for the 1991-97 crop years.

#### IMPLEMENTATION RESPONSIBILITIES

FmHA Instruction 1924-B, Section 1924.57(d)(1), states that the projections used in developing planned farm budgets with reference to income and related expenses must be supported by the borrower's actual historical records.

Exhibit A of this AN provides a table of USDA projections for the percentage change of prices for various farm expenses and major commodities. For those commodities and expenses not shown on this attachment, such as aquacultural products, guava, lamb or rabbits, local buyers, processors, Agricultural Extension Service or similar sources, should be contacted to obtain the best estimates available for these items. The percent change for 'Other Expenses', as shown, is the average percentage change of all expenses excluding family living for that particular year.

EXPIRATION DATE: October 31, 1991

Filing Instruction:  
Preceding FmHA  
Instruction 1924-B

The prices and expenses are calculated as follows. This example is for wheat.

Local avg. cash price x year's % change = price adjustment  
\$3.10 /bu. (1990) x -4.8% (1993) = -\$0.15

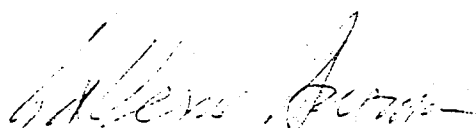
Price adjustment + 1990 avg. cash price = 1993 projected price  
-\$0.15 + \$3.10/bu. = \$2.95/bu.

FmHA Instruction 1924-B, Section 1924.57(d)(2), states that each State Director will establish the average unit price for each agricultural commodity produced on a Statewide basis. State Directors also may elect to establish regional unit prices for different regions of the State when there are factors (transportation costs) to establish a regional pattern. Exhibit B of this AN provides a National average for major agricultural commodities which States may use as a guideline to compare their developed commodity prices. These National averages are in no way issued to replace State developed prices.

State Directors, when developing unit prices, can utilize available data from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1990 and/or contracts with verified markets, will be able to utilize that higher unit price in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations.

If the State Director finds it necessary to change selected commodity projections in Exhibit A, a detailed justification will be sent to the National Office for approval. Any changes can be sent by Telemail to no.pds or by Facsimile to FTS 382-8098 or commercial (202) 382-8098, addressed to Director, Farmer Programs, Program Development Staff (PDS).

  
LA VERNE AUSMAN  
Administrator

Attachments

Sent by Telefax on 6/4 at 10:48 by ASD. The State Director should advise other personnel as appropriate.

## LONG RANGE FARM BUDGET PROJECTIONS

FmHA AN 2298 (1924)  
Exhibit AFmHA, FP, Program Development Staff  
04/23/91

&lt; Projectd % Change from 1990 &gt;

## PRODUCTION AND LIVING EXPENSES

Item	1991	1992	1993	1994	1995	1996	1997
Feed	-3.3%	-9.6%	-11.6%	-11.6%	-9.6%	-8.7%	-7.8%
Feeder livestock	-5.0%	-2.9%	0.9%	4.5%	7.8%	10.2%	15.2%
Seed	3.0%	6.3%	9.9%	12.8%	16.0%	19.3%	22.0%
Fertilizer	5.8%	7.8%	9.7%	11.0%	12.8%	16.7%	18.8%
Ag chemicals	2.2%	4.3%	5.7%	7.6%	9.5%	11.9%	14.2%
Fuels	5.0%	9.5%	14.0%	18.1%	22.1%	25.8%	29.4%
Farm & motor supplies	2.4%	5.8%	8.9%	11.4%	13.8%	16.0%	17.7%
Autos & trucks	4.1%	7.8%	11.3%	14.9%	17.5%	20.3%	22.7%
Tractors	3.4%	6.5%	9.5%	12.6%	15.5%	18.0%	20.6%
Other machinery	3.9%	8.4%	12.0%	16.1%	19.5%	22.6%	25.5%
Bldg & fencing	3.3%	6.4%	9.3%	12.0%	14.5%	16.9%	18.8%
Farm services & rent	3.5%	6.8%	9.4%	11.8%	14.1%	16.3%	18.0%
Interest	-2.3%	-4.7%	-5.3%	-6.6%	-6.0%	-6.0%	-7.2%
Taxes	2.5%	5.4%	8.2%	10.3%	12.8%	15.1%	17.4%
Wages	5.8%	10.9%	15.9%	20.6%	25.2%	29.2%	33.1%
Family Living (CPI)	3.8%	7.5%	11.1%	14.5%	17.7%	20.6%	23.3%
Other Expenses	1.1%	3.4%	6.0%	9.0%	11.8%	14.4%	16.9%

## CASH COMMODITY PRICES RECEIVED

Crop	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98
Wheat	-4.8%	-6.5%	-4.8%	-3.2%	-1.6%	0.0%	0.0%
Corn	-13.7%	-19.6%	-21.6%	-19.6%	-17.6%	-17.6%	-17.6%
Sorghum	-12.8%	-19.1%	-21.3%	-19.1%	-17.0%	-17.0%	-17.0%
Barley	-17.6%	-23.5%	-27.5%	-27.5%	-25.5%	-25.5%	-25.5%
Oats	6.7%	10.0%	-6.7%	-3.3%	3.3%	6.7%	6.7%
Soybeans	0.9%	3.6%	7.1%	8.9%	9.8%	11.6%	10.7%
Cotton	-4.4%	-5.9%	-4.4%	-1.5%	0.0%	0.0%	1.5%
Rice	-12.6%	-13.3%	-12.6%	-11.9%	-11.1%	-10.4%	-9.6%
SB Oil	2.1%	3.4%	2.1%	0.0%	-2.1%	-4.3%	-6.4%
SB Meal	-3.1%	-0.9%	4.7%	7.8%	10.9%	14.7%	14.1%
Peanuts	1.7%	2.1%	3.0%	4.1%	5.2%	6.6%	7.0%
Cattle	3.2%	2.6%	6.6%	9.7%	13.6%	15.9%	22.0%
Calves	3.2%	2.6%	6.6%	9.7%	13.6%	15.9%	22.0%
Hogs	-10.0%	-15.6%	-14.0%	-13.3%	-11.1%	-9.2%	-4.5%
Broilers	-1.8%	-9.4%	-10.6%	-13.4%	-10.1%	-8.9%	-3.5%
Turkeys	2.4%	18.7%	22.3%	25.2%	28.3%	32.2%	38.6%
Eggs	1.7%	2.7%	-5.6%	2.7%	-1.5%	6.8%	-0.1%
All milk * +	-0.4%	-0.4%	-0.9%	-0.4%	-0.4%	1.3%	1.3%
All fruit	2.0%	4.4%	6.9%	9.4%	12.3%	14.8%	17.7%
All vegetables	4.0%	6.0%	7.9%	10.6%	12.6%	14.6%	16.6%
Potatoes	0.0%	0.0%	-3.6%	0.0%	1.8%	1.8%	1.8%
Sweet potatoes	-2.7%	-9.3%	-11.3%	-9.3%	-6.7%	-6.7%	-6.7%
Dry beans	1.3%	-5.3%	-7.6%	-5.3%	-3.1%	-3.1%	-3.1%
Tobacco:							
Flue-cured	1.2%	3.0%	4.8%	6.5%	8.3%	11.3%	11.9%
Burley	0.0%	2.4%	4.7%	7.1%	9.4%	11.8%	14.1%
Sugar: 1/							
Raw domestic	-4.1%	-3.6%	-3.0%	-2.5%	-2.0%	-1.4%	-0.8%
Sugarbeet	-4.2%	-3.5%	-3.0%	-2.6%	-2.1%	-1.4%	-0.9%
Sugarcane	-3.2%	-2.9%	-2.6%	-2.3%	-1.6%	-1.3%	-0.6%

1/ Fiscal year basis.

\* Marketing year basis.

+ Revised 4/18/91

CASH COMMODITY PRICES RECEIVED

Price projections for major field crops, baseline

Crop	Units	1990	1991	1992	1993	1994	1995	1996	1997
Wheat	\$/bu.	3.10	2.95	2.90	2.95	3.00	3.05	3.10	3.10
Corn	\$/bu.	2.55	2.20	2.05	2.00	2.05	2.10	2.10	2.10
Sorghum	\$/bu.	2.35	2.05	1.90	1.85	1.90	1.95	1.95	1.95
Barley	\$/bu.	2.55	2.10	1.95	1.85	1.85	1.90	1.90	1.90
Oats	\$/bu.	1.50	1.60	1.65	1.40	1.45	1.55	1.60	1.60
Soybeans	\$/bu.	5.60	5.65	5.80	6.00	6.10	6.15	6.25	6.20
Cotton	\$/lb.	0.68	0.65	0.64	0.65	0.67	0.68	0.68	0.69
Rice	\$/cwt.	6.75	5.90	5.85	5.90	5.95	6.00	6.05	6.10
SB Oil	\$/lb.	0.235	0.240	0.243	0.240	0.235	0.230	0.225	0.220
SB Meal	\$/ton	160.0	155.0	158.5	167.5	172.5	177.5	183.5	182.5
Peanuts	Cents/lb	29.82	30.34	30.46	30.70	31.05	31.37	31.79	31.90

Price projections for specialty crops, baseline

Category	Units	1990	1991	1992	1993	1994	1995	1996	1997
All fruit	1977=100	203	207	212	217	222	228	233	239
All vegetables	1977=100	151	157	160	163	167	170	173	176
Potatoes	Dollars/cwt	5.50	5.50	5.50	5.30	5.50	5.60	5.60	5.60
Sweet potatoes	Dollars/cwt	15.00	14.60	13.60	13.30	13.60	14.00	14.00	14.00
Dry beans	Dollars/cwt	22.50	22.80	21.30	20.80	21.30	21.80	21.80	21.80
Tobacco:									
Flue-cured	Dollars/cwt	168	170	173	176	179	182	187	188
Burley	Dollars/cwt	170	170	174	178	182	186	190	194
Sugar: 1/									
Raw domestic	Cents/lb	23.00	22.06	22.18	22.30	22.43	22.55	22.68	22.81
Sugarbeet	Dollars/ton	42.70	40.90	41.20	41.40	41.60	41.80	42.10	42.30
Sugarcane	Dollars/ton	30.80	29.80	29.90	30.00	30.10	30.30	30.40	30.60

1/ Fiscal year basis.

Price projections for livestock, baseline

Crop	Units	1990	1991	1992	1993	1994	1995	1996	1997
Cattle	\$/Cwt.	71.84	74.11	73.74	76.56	78.79	81.64	83.26	87.62
Calves	\$/Cwt.	86.21	88.94	88.49	91.87	94.54	97.97	99.91	105.14
Hogs	\$/Cwt.	54.99	49.50	46.42	47.31	47.66	48.89	49.91	52.53
Broilers	Cents/lb	33.40	32.80	30.27	29.87	28.92	30.02	30.42	32.22
Turkeys	Cents/lb	37.20	38.10	44.15	45.51	46.56	47.73	49.18	51.55
Eggs	Cents/doz	63.20	64.30	64.88	59.69	64.88	62.28	67.47	63.14
All milk * +	\$/Cwt.	11.55	11.50	11.50	11.45	11.50	11.50	11.70	11.70

\* Marketing year basis.

+ Revised 4/18/91

04/23/91